

## Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-02 SS-15 NSC-05 /063 R

DRAFTED BY EB/FTD:WCMIMS:HM

APPROVED BY EB/FTD:AJWILLIAMS

ARA/MEX - GFALK

ARA/ECP - MDAVILA

COMMERCE - APOLANSKY

TREASURY - WBARREDA

LABOR - ESWEENEY

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO PRIORITY

C O N F I D E N T I A L STATE 086885

E.O. 11652:GDS

TAGS: ETRD, MX

SUBJECT: TEXTILES - DRAFT NOTE

REF: MEXICO 3115

1. ECONMIN SAENZ CALLED ON JURICH APRIL 11 TO REQUEST  
TWO-MONTH GRACE PERIOD DISCUSSED REFTEL. SAENZ CLAIMS  
BECKER IS READY TO SIGN, BUT IS CONCERNED THAT U.S. 807  
MANUFACTURERS HAVE ENTREE TO PRESIDENT ECHEVERRIA AND DOES

NOT RPT NOT WANT TO BE IN POSITION TO BE SECOND-  
GUESSED BY HIM. GENERALLY, SAENZ SUPPORTED EMBASSY'S  
INFORMATION THAT MEXICAN TEXTILE INDUSTRY AND GOM  
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OFFICIALS CONCERNED BELIEVE MEMORANDUM OF UNDERSTANDING IS FAIR AND SHOULD BE SIGNED.

2. WE UNDERSTAND U.S. 807 MANUFACTURERS PARTICULARLY CONCERNED ABOUT 807 MMF LIMITATION LEVELS BECAUSE THEY BELIEVE WITH GROWTH OF 807 MARKET LIMITED BY AGREEMENT, GOM WILL USE EXPORT LICENSE MECHANISM TO PUSH OUT AMERICANS IN FAVOR OF MEXICAN-OWNED FIRMS.

3. WE PROPOSE THAT AMBASSADOR CALL ON BECKER TO MAKE FOLLOWING POINTS:

A) USG FULLY SUPPORTS MEMORANDUM OF UNDERSTANDING AS BEING IN BEST INTEREST BOTH OUR COUNTRIES, REGARDLESS OF POSITION OF US 807 MANUFACTURERS. FYI THUS, BECKER CAN CITE FIRST-HAND EVIDENCE OF AMBASSADOR'S CONTINUING ACTIVE SUPPORT FOR AGREEMENT IF HE IS QUESTIONED BY ECHEVERRIA. END FYI.

B) A REASONABLE AMOUNT OF TIME HAS LAPSED SINCE THE MEMORANDUM WAS SIGNED ON FEB. 28. SINCE THERE IS NOTHING IN MEMORANDUM WHICH SHOULD HAVE CAUGHT THE US 807 MANUFACTURERS OFF-GUARD, WE DO NOT UNDERSTAND REQUEST FOR ADDITIONAL STUDIES. REPRESENTATIVES OF US 807 MANUFACTURERS WERE AMONG INDUSTRY ADVISORS TO USDEL DURING NEGOTIATIONS. USDEL WAS WELL AWARE OF THEIR VIEWS IN

REACHING AGREEMENT. PRESSURE IN US HAS BEEN INTENSE TO MOVE TOWARD UNILATERAL EMBARGOES IF NOTES ARE NOT SIGNED. WE DO NOT RPT NOT BELIEVE SUCH ACTION IN INTEREST OF EITHER USG OR GOM, BUT PRESSURES MUST BE CONSIDERED. THEREFORE, WE HOPE GOM WILL AGREE SHORTLY TO EXCHANGE OF NOTES.

C) AMBASSADOR SHOULD MAKE IT CLEAR THAT, IN ANY CASE, WE CANNOT AGREE TO A TWO-MONTH GRACE PERIOD. THIS, AGAIN, IS NOT IN INTEREST OF EITHER GOVERNMENT, AND WOULD ONLY ALLOW MORE TIME FOR PRESSURES FOR UNILATERAL ACTION TO BUILD UP.

D) IF BECKER INDICATES HIS CONCERN THAT PRESIDENT  
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ECHEVERRIA MAY BE SUSCEPTABLE TO PRESSURE FROM US 807 MANUFACTURERS, AMBASSADOR MAY WISH TO DISCUSS MEANS BY WHICH PRESIDENT COULD BE REASSURED THAT AGREEMENT IS GENEROUS TO MEXICO, HAS FULL SUPPORT OF USG, AND SHOULD BE SIGNED AS SOON AS POSSIBLE.

E) IN ADDITION, MESSRS. HOWARD SAMUELS AND MURRAY FINLEY OF THE AMALAGAMATED CLOTHING WORKERS OF AMERICA TALKED TO

PRESIDENT ECHEVERRIA BEFORE NEGOTIATIONS AND, WE UNDER-  
STAND, FULLY INFORMED HIM OF VIEWS OF AMERICAN LABOR  
TOWARD US 807 IMPORTERS. MARCH UNEMPLOYMENT FIGURES SHOW  
20.1 PERCENT UNEMPLOYMENT IN APPAREL SECTOR, 18.2 PERCENT  
IN TEXTILES AND APPAREL COMBINED AGAINST 8.7 PERCENT  
OVERALL U.S.

F) WHILE U.S. LABOR SUPPORTS THIS AGREEMENT, SHOULD IT  
NOT BE FINALIZED SOON, WE CAN EXPECT INTENSE PRESSURES  
FROM THEM TO TAKE UNILATERAL ACTION.

G) AMBASSADOR MAY ALSO WISH TO MENTION THAT PAST EX-  
PERIENCE WITH ARTICLE III TEXTILE EMBARGOES HAS SHOWN  
THAT EXPORTS TO US ARE SLOWED EVEN IN CATEGORIES THAT ARE  
NOT UNDER ARTICLE III RESTRAINTS. HOWEVER, BECKER MIGHT  
BE ABLE TO MAKE USE OF INFORMATION THAT MOST SENSITIVE  
CATEGORIES IN CASE OF MEXICO, AND THE ONES MOST  
SUSCEPTIBLE TO ARTICLE III ACTION, ARE THE CATEGORIES  
COVERING 807 ITEMS.

4. IN VIEW OF MEXICO'S POSITION AS LARGEST AND POTENTIALLY

MOST DISRUPTIVE SUPPLIER IN THE SERIES OF TEXTILE BI-  
LATERALS NOW UNDER NEGOTIATION IN LATIN AMERICA, WE AP-  
PRECIATE EMBASSY'S CONTINUED CLOSE ATTENTION TO THIS  
PROBLEM. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENT DRAFT, TEXTILES, DIPLOMATIC NOTES, PUBLIC ATTITUDES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE086885  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** WCMIMS:HM  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750134-0624  
**From:** STATE  
**Handling Restrictions:** n/a  
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**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750445/aaaabptf.tel  
**Line Count:** 141  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 MEXICO 3115  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 SEP 2003 by BoyleJA>; APPROVED <04 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TEXTILES - DRAFT NOTE  
**TAGS:** ETRD, MX, US  
**To:** MEXICO  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006